



DEPARTMENT OF HEALTH & HUMAN SERVICES

Public Health Service

Indian Health Service
Rockville MD 20852

MAR 27 2002

TO: Director

FROM: Senior Operations Research Analyst

SUBJECT: Distribution of fiscal year (FY) 2002 Indian Health
Care Improvement Fund--ACTION

ISSUE

The Congress appropriated \$23 million in fiscal year (FY) 2002 for the Indian Health Care Improvement Fund (IHCIF). This memo recommends for your approval a methodology for distributing the \$23 million fund to operating units of the Indian health system.

DISCUSSION

In FY 2000 and FY 2001, the Level of Need Funded (renamed the Federal Disparity Index-FDI) workgroup, developed a methodology for measuring gaps in health care funding to Indian people. The LNF actuarial study found that IHS funding is less than 60 percent compared to mainstream health plans such as the Federal Employees Health Benefit Plan. The workgroup also recommended a formula for distributing the IHCIF to tribes based on specifications contained in section 1621(a)4 of the Indian Health Care Improvement Act which requires the IHS to address deficiencies for "...those Indian tribes with the highest levels of health status and resource deficiencies"

In fiscal year 2001, the Indian Health Service (IHS) conducted extensive tribal consultation, including three regional forums and a national forum, on the allocation methodology. After additional consultation with tribal leaders, in April you adopted an IHCIF formula that distributed \$40 million on a recurring basis to local operating units.

The workgroup met March 19-20 2002 to accomplish an annual review of the methodology which is applied to updated data. After reviewing the IHCIF formula and considering its application with revised data, the workgroup reaffirmed with no substantive changes the formula adopted in FY 2001 after extensive tribal consultation.

The workgroup has submitted findings from the recently completed application of the FDI methodology and recommendations for

applying those findings in a formula to distribute the FY 2002 IHCIF among IHS Areas and operating units. The findings and recommendations are enclosed in the package entitled "2002 IHCIF" which is composed of sections A through F:

- Tab A: Table of the FY 2002 IHCIF Distribution among Operating Units
- Tab B: Guidance for the FY 2002 IHCIF Distribution
- Tab C: March 26, 2002 IHCIF Recommendations from the FDI Workgroup
- Tab D: Decision Memo for the FY 2002 IHCIF (copy of this memo)
- Tab E: Key Results and Methodology for FY 2001
- Tab F: IHCIF Chart Series for FY 2001

Please indicate your support for the recommendations by initialing on the "Approved" line.

RECOMMENDATION 1

I am conveying the request of the workgroup that you accept the allocation methodology recommended in their March 26 letter (Tab C) which reaffirms with no substantive changes the formula adopted in FY 2001 after extensive tribal consultation.

APPROVED *AF* DISAPPROVED _____ Date *05/3/2002*.

RECOMMENDATION 2

I recommend approval of allocations detailed in Tab A which were produced by applying the formula recommended by the workgroup to updated data.

APPROVED *A* DISAPPROVED _____ DATE *05/3/2002*.

RECOMMENDATION 3

Because the national application of the allocation methodology may incompletely account for certain complexities and variations in and among local level operating units, and section 1621(b)2a of the Indian Health Care Improvement Act requires that "...funds allocated to each service unit... shall be used to reduce the health status and resource deficiency of **each tribe** served by

such service unit", I recommend that an Area Office, after consulting with affected parties, may distribute IHCIF operating unit funds among the constituent parts of operating units based on actual service usage patterns or similar equitable measures. This guidance is detailed in attachment B.

APPROVED  DISAPPROVED _____ DATE 05/3/2002.

RECOMMENDATION 4

Given the workgroup reaffirmed the allocation methodology without change for FY 2002 and consistent with many proposals for maintaining stable funding for critically needed health services, I recommend the FY 2002 IHCIF distribution should be **recurring** to the operating units in years thereafter.

APPROVED  DISAPPROVED _____ DATE 05/3/2002.


Cliff Wiggins

Enclosure